

## Research Articles

# Revising Theories of Nonstate Market-Driven (NSMD) Governance: Lessons from the Finnish Forest Certification Experience

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## 1. Introduction

In the last decade international relations<sup>1</sup> and comparative public policy<sup>2</sup> scholars have devoted significant and sustained attention to the emergence of self-regulating, market-based, and “private” regulatory regimes. The results have led to a number of important research projects regarding the role of political consumerism,<sup>3</sup> voluntary instruments,<sup>4</sup> and public-private partnerships<sup>5</sup> that have emerged to address matters of concern to global civil society where state-centered processes have been found wanting.<sup>6</sup> The broad range of approaches

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1. Haufler 2001; and Cutler, Haufler, and Porter 1999.

2. Howlett 2000.

3. Micheletti, Føllesdal, and Stolle 2003; and Micheletti 2003.

4. Webb 2002; and Prakash 1999.

5. Rosenau 2000; and Börzel and Risse 2005.

6. See also Salaman 2002; Gunningham 1998; Prakash 2000a; Vertinsky 1998; Zietsma 1999–2001; and Jennings 1995.

used to study these trends has led some scholars to identify a phenomenon the furthest from state control: “nonstate market-driven” (NSMD) governance regimes<sup>7</sup> that obtain their authority not from the state, but from customer decisions within the marketplace. Firms along a sector’s production chain are cajoled, enticed, and encouraged by nongovernmental organizations to support and adhere to pre-established standards concerning responsible environmental and social practices. NSMD certification programs are now proliferating to address some of the most critically important problems facing the planet, including fisheries depletion, food production, mining, construction, rural and community poverty, inhumane working conditions (such as sweatshop practices in the apparel industry), human rights abuses and sustainable tourism.<sup>8</sup> Taken collectively, current efforts, if successful, would govern 20 percent of products traded globally.<sup>9</sup>

How might these systems emerge to become durable forms of political authority? Given the requirement that they appeal to profit-maximizing firms and problem-focused environmental groups, what is their transformative potential? The purpose of this article is to shed light on these questions by assessing the utility of the widely used theoretical framework of Cashore, Auld, and Newsom (hereafter, CAN).<sup>10</sup> These authors drew on their historical analysis of power conflicts over forest certification in Europe and North America to develop specific hypotheses about support for NSMD systems in general, and forest certification in particular.<sup>11</sup> To assess this theory, we turn to the case of Finland, which was not included in the original study. Doing so addresses what Geddes<sup>12</sup> and King, Keohane and Verba<sup>13</sup> have criticized many comparative historical analyses for failing to do: moving outside the original case studies from which a theory was developed to explore whether the causal relationships apply elsewhere.<sup>14</sup>

7. Cashore 2002.
8. Bartley 2003; and Bernstein and Cashore 2006.
9. Bernstein and Cashore 2006.
10. Cashore, Auld, and Newsom 2004.
11. *Ibid.*
12. Geddes 2003; and Geddes 1990.
13. King, Keohane, and Verba 1994.
14. We undertake a “comparative qualitative” case study approach and apply a historical narrative analysis. This approach is common within political science’s “historical institutionalist” (Hall 1986; Pierson 2000; and Hacker 2001), comparative politics (Dogan and Pelassy 1990; and Lijphart 1975) and comparative public policy (Heidenheimer, Hecló, and Adams 1990) traditions. The approach is often invoked when there is “causal complexity,” contextual influence (Ragin 1987), and a limited number of cases (King, Keohane, and Verba 1994). A key benefit of this approach is that it enables researchers to assess factors they might have neglected in their original model (Buthe 2002). Our empirical methods included conducting several in-person interviews with key members of the Finnish forest policy community as well as comprehensive archival and secondary research. We also benefited from the generosity of Professor Heikki Juslin, who shared his personal notes on the Finnish case, greatly enhancing our understanding of the historical events that influenced the development of forest certification. We refer to these notes below as “personal communications, Juslin” to distinguish this source from data collected through our interviews. Given that our historical narrative approach draws on the in-person interviews throughout, we limit our references to specific interviews to references of a spe-

The Finnish case is an ideal one in which to assess CAN's argument because Finnish forest owners, in contrast to their Swedish counterparts, steadfastly rejected the environmental groups-initiated global forest certification program, the Forest Stewardship Council (FSC), opting instead to create their "made in Finland" alternative, the Finnish Forest Certification Scheme. We find that, while useful and important, CAN's explanatory framework must be expanded in two significant ways if it is to provide a more robust account for the emergence and support of NSMD systems. First, we argue that greater attention be placed on understanding how the type of product being exported, including its degree of substitutability, affects political struggles over support for NSMD certification. Second, there must be greater attention on the role of a particular region in the broader global context in which NSMD systems institutionalize. Certification may be pursued as a strategy to address enduring policy problems within a particular region. Alternately, it may be developed to raise less environmentally friendly standards *elsewhere*. The distinction is critical to understanding initial support for NSMD systems. Filling these gaps helps shed light on whether NSMD certification might trigger a "ratcheting up" of standards alongside increasing economic globalization or whether it will continue to be mired in fragmentation and conflict with limited discernible impact in addressing the problems for which certification systems were created.

We undertake this assessment in seven analytical steps. Following this introduction a second section identifies two different conceptions of forest certification that vie for support from forest companies and forest owners in domestic settings in North America, Europe and globally. A third section locates forest certification as an advanced form of nonstate market-driven (NSMD) governance systems, which are now proliferating and emerging in a range of globally important sectors including fisheries, coffee production, agriculture and ecotourism. A fourth section reviews the historical development of forest certification in Finland. A fifth section presents and assesses the ability of the seven hypotheses developed by CAN to explain the outcome of the Finnish case, which diverged so dramatically from neighboring Sweden—a puzzle given the shared histories, culture and forest types that unite these countries. A sixth section identifies additional hypotheses that provide a more robust theory of NSMD governance. We conclude by assessing what our revisions to the theory of NSMD emergence might mean for understanding the ability of certification systems to address enduring problems in ways that governments have been unable.

## 2. Two Conceptions of Forest Certification

By 1992, ongoing frustration with domestic and international public policy approaches to global forest deterioration created an arena ripe for a private-sector approach. But unlike voluntary self-regulating programs, which business took

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cific claim or factual point. Interviews were conducted during the summer of 2003 unless otherwise noted.

**Table 1.**  
Different Conceptions of Forest Certification

	<i>Conception One</i>	<i>Conception Two</i>
<i>Who participates in rule making</i>	Environmental and social interests participate with business interests	Business-led
<i>Rules—substantive</i>	Non-discretionary	Discretionary/flexible
<i>Rules—procedural</i>	Means to an end: procedural rules facilitate implementation of substantive rules	End in themselves: procedural rules by themselves result in decreased environmental impact
<i>Policy scope</i>	Broad: includes rules on labor and indigenous rights and wide-ranging environmental impacts	Narrower: forestry management rules and continual improvement

Source: Cashore 2002.

the initiative to create,<sup>15</sup> transnational environmental groups took the lead in creating certification institutions. In the case of forestry, the World Wide Fund for Nature (WWF) spearheaded a coalition of environmental and socially concerned groups, who joined with select retailers, governmental officials, and a handful of forest company officials to create the international Forest Stewardship Council (FSC). Officially formed in 1993, the FSC turned to the market for rule-making authority by offering forest landowners and forest companies who practiced “sustainable forestry” (in accordance with FSC policies) an environmental stamp of approval through its certification process, thus expanding the traditional “stick” approach of a boycott campaign by offering “carrots” as well.

The FSC created nine “principles” (later expanded to 10) and more detailed “criteria” that are performance-based, broad in scope and that address tenure and resource use rights, community relations, workers’ rights, environmental impact, management plans, monitoring and conservation of old-growth forests, and plantation management.<sup>16</sup> The FSC program also mandated the creation of national or regional working groups to develop specific standards for their regions based on the broad principles and criteria.

The FSC program is based on a conception of NSMD governance that sees private-sector certification programs forcing upward sustainable forest management (SFM) standards. Perhaps more important than the rules themselves is the FSC “tripartite” conception of governance, in which a three-chamber format of environmental, social, and economic actors, each with equal voting rights, has emerged. Each chamber is itself divided equally between Northern and South-

15. Prakash 2000b; and Prakash 1999.

16. See Moffat 1998, 44; and Forest Stewardship Council 1999.

ern representation.<sup>17</sup> Two ideas were behind this institutional design. The first was to eliminate business dominance in policy-making processes, in the belief that this would encourage the development of relatively stringent standards and facilitate on-the-ground implementation. The second was to ensure that the North could not dominate at the expense of the South—a strong criticism of the failed efforts at the Rio Earth Summit to achieve a binding global forest convention.<sup>18</sup>

Lumping together in one chamber those economic interests who must implement SFM rules (i.e., companies and non-industrial forest owners) with companies along the supply chain who might demand FSC products and consulting companies created by environmental advocates has been the source of much controversy and criticism. It has negatively affected forest owners' evaluations of the FSC,<sup>19</sup> led them to believe they would have their independence and autonomy reduced, and encouraged the development of "FSC alternative" certification programs. Alternative programs are currently offered in all countries in North America and Europe where the FSC has emerged. In the United States, the American Forest and Paper Association created the Sustainable Forestry Initiative (SFI) certification program. In Canada, the Canadian Standards Association (CSA) program was initiated by the Canadian Sustainable Forestry Certification Coalition, a group of 23 industry associations from across Canada.<sup>20</sup> In Europe, following the Swedish and Finnish experiences with FSC-style forest certification, an "umbrella" Pan European Forest Certification (PEFC) system (renamed the Program for the Endorsement of Forest Certification in 2003) was created in 1999 by European landowner associations that felt especially excluded from the FSC processes.

In general, FSC-competitor programs originally emphasized organizational procedures and discretionary, flexible performance guidelines and requirements.<sup>21</sup> For instance, the SFI originally focused on performance requirements, such as following existing voluntary "best management practices" (BMPs), legal obligations, and regeneration requirements. The SFI later developed a comprehensive approach through which companies could choose to be audited by outside parties for compliance to the SFI standard, and developed a "Sustainable Forestry Board" independent of the American Forest and Paper Association with which to develop ongoing standards. And similar to the SFI, the CSA focus began as "a systems based approach to sustainable forest manage-

17. Domask 2003. The FSC includes in its southern chamber Eastern European emerging-economy countries and Russia.

18. Humphreys 2006; and Meidinger 2006. Originally the FSC created two-chambers—one with social and environmental interests that was given 70 percent of the voting weight, and an economic chamber with 30 percent of the votes. There are currently three equal chambers among these groups with one-third of the votes each. Each chamber is further divided equally between North and South.

19. Sasser 2002; Vlosky 2000; and Rametsteiner 1999.

20. Lapointe 1998.

21. Hansen and Juslin 1999, 19.

ment"<sup>22</sup> where individual companies were required to establish internal "environmental management systems."<sup>23</sup> The CSA allows firms to follow criteria and indicators developed by the Canadian Council of Forest Ministers, which are themselves consistent with the International Organization for Standardization (ISO) 14001 Environmental Management System Standard and include elements that correspond to the Montreal and intergovernmental initiative on developing criteria and indicators for sustainable forest management.

The PEFC is itself a mutual recognition program of national initiatives and draws on criteria identified at the Helsinki and Lisbon Forest Ministers Conferences in 1993 and 1998, respectively.<sup>24</sup> National initiatives are not bound to address the agreed-upon criteria and indicators,<sup>25</sup> as the PEFC leaves the development of certification rules and procedures to the national initiatives. A PEFC Secretariat and Council, which tend to be dominated by landowners and industry representatives, determine the acceptance of national initiatives into the PEFC recognition scheme.<sup>26</sup> From the start, the program was explicitly designed to address forest managers' universal criticisms that the FSC did not adequately take private landowners' interests into account.<sup>27</sup>

These FSC-competitor programs initially operated under a different conception of NSMD governance than does the FSC: one that is grounded in the belief that business interests ought to strongly shape rule-making, with other nongovernmental and governmental organizations acting in advisory, consultative capacities. Underlying these programs is a strongly held view that there is incongruence between the quality of existing forest practices and civil society's perception of these practices. Under the SFI, CSA, and PEFC conceptions, certification is, in part, a communication tool that allows companies and landowners to better educate civil society. With this conception, procedural approaches are ends in themselves and individual firms retain greater discretion

22. Hansen and Juslin 1999, 20.

23. Moffat 1998, 39.

24. PEFC International 2001.

25. Ozinga 2001.

26. Hansen and Juslin 1999.

27. The PEFC Council's membership comprises twenty-five National Governing Bodies, nineteen of which are European. Authority to endorse these schemes rests with the PEFC Council, thirteen of which have been endorsed as of January 2003. The US SFI, Tree Farm and the Canadian CSA became members of the council in 2000, while the CSA achieved the additional step of formal endorsement by the PEFC in July 2005. The PEFC provides for single, group and regional forest certification. Regular audits are conducted of forest owners participating in a group certification. Under regional forest certification, an applicant's region must be certified by a third party as meeting the requirements of the national standard. Landowners within a defined geographical area who have been granted regional certification status can apply to be recognized participants in the PEFC system only after committing to implement the national performance standards[0]. Once the regional certification is complete and the landowner demonstrates his/her individual commitment to participating in the program (that is, he or she is committed to complying with national criteria), forest owners can apply to the PEFC Council or the relevant PEFC National Governing Body acting on behalf of the PEFC Council to obtain permission to use the PEFC logo. The PEFC offers a chain-of-custody certificate, based on "physical separation" of the certified product from non-certified products, or based on a "percent in, percent out" approach.

**Table 2.**  
Comparison of FSC and FSC-Competitor Programs

	FSC	PEFC	SFI	CSA
<i>Origin</i>	Environmental groups, socially concerned retailers	Landowner (and some industry)	Industry	Industry
<i>Types of Standards:</i>	Performance emphasis	Combination	Combination	Combination
<i>Performance or Systems-based</i>	International	European origin, now international	National/ bi-national	National
<i>Territorial focus</i>	Required	Required	Optional	Required
<i>Third party verification of individual ownerships</i>	Yes	Yes	No	Emerging
<i>Chain of custody</i>	Label and Logo	Label and Logo	Logo, label emerging	Logo
<i>Eco-label or logo</i>				

Terms: *Performance-based* refers to programs that focus primarily on the creation of mandatory on-the-ground rules governing forest management, while *systems-based* refers to the development of more flexible and often non-mandatory procedures to address environmental concerns. *Third Party* means that an outside organization verifies performance; *Second Party* means that a trade association or other industry group verifies performance; *First Party* means that the company verifies its own record of compliance. *Chain of Custody* refers to the tracking of wood from certified forests along the supply chain to the individual consumer. A *logo* is the symbol certification programs use to advertise their programs and can be used by companies when making claims about their forest practices. An *eco-label* is used along the supply chain to give institutional consumers the ability to discern whether a specific product comes from a certified source.

NOTE: The PEFC is included in this table for comparative reasons, but it is difficult to make universal characterizations about PEFC program content or procedures, as they vary by country or sub-region (although they must meet the minimum level set by the PEFC Council).  
Source: Cashore, Auld, and Newsom 2004, adapted from Moffat 1998, 152; Rickenbach, Fletcher, and Hansen 2000; and [www.pefc.org](http://www.pefc.org).



over implementation of program goals and objectives. This conception of governance draws on environmental management system approaches that have developed at the international regulatory level.<sup>28</sup>

### 3. Key Features of Nonstate Market-Driven Environmental Governance

Five key features distinguish NSMD governance from other forms of public and private authority.<sup>29</sup> The most important feature of NSMD governance is that there is *no use of state sovereignty to enforce compliance*. The Westphalian sovereign authority that governments possess to develop rules, and to which society more or less adheres (whether it be for coercive Weberian reasons or more benign social-contract reasons), does not apply; no one can be incarcerated or fined for failing to comply. Rather, a private organization develops rules designed to achieve pre-established objectives (sustainable forestry, in the case of forest certification).

A second distinguishing feature of NSMD governance is that its institutions constitute governing arenas in which adaptation, inclusion, and learning occur over time and across a wide range of stakeholders. The founders of NSMD approaches, including forest certification, justify these features on the grounds that they are more democratic, open, and transparent than many of the clientelist public policy networks they seek to bypass, and more dynamic than static eco-labeling initiatives with which they have been conflated. A third key feature is that these systems govern the “social domain”<sup>30</sup>—requiring profit-maximizing firms to undertake costly reforms that they otherwise would not pursue. This distinguishes NSMD systems from other arenas of private authority, such as business coordination over technological developments (the original reason for the creation of the International Organization for Standardization), which can be explained by profit-seeking behavior with reduction of business costs as the ultimate objective. To be sure, these arenas are important; but they are very different beasts, with very different authority mechanisms than NSMD systems.<sup>31</sup>

The fourth key feature of NSMD governance is that authority is granted through the market’s supply chain, where companies and forest owners make evaluations about whether to grant authority to these new systems. For these reasons much of the FSC’s and its domestic competitors’ efforts to promote SFM are focused further down the supply and demand chain, toward those value-added industries that demand the raw products and, ultimately, toward the retailer and its customers.<sup>32</sup> While landowners may be appealed to directly with

28. Clapp 1998; and Cutler, Haufler, and Porter 1999.

29. Cashore 2002; Cashore, Auld and Newsom 2004; and Bernstein and Cashore 2006.

30. Ruggie 2004.

31. Young 1999.

32. Bruce 1998, chapter 2; and Moffat 1998, 42–43.



**Table 3.**  
Key Features of NSMD Governance

<i>Role of the state</i>	State does not use its sovereign authority to directly require adherence to rules
<i>Institutionalized governance mechanism</i>	Procedures in place designed to create adaptation, inclusion, and learning over time across wide range of stakeholders
<i>The social domain</i>	Rules govern environmental and social problems
<i>Role of the market</i>	Products being regulated are demanded by purchasers further down the supply chain
<i>Enforcement</i>	Compliance must be verified

Source: Cashore 2002; Cashore, Auld, and Newsom 2004; and Bernstein and Cashore 2006.

the lure of a price premium or increased market access, environmental organizations may act through boycotts and other direct-action initiatives to convince large retailers such as B&Q and Home Depot to adopt purchasing policies favoring the FSC, thus placing more direct economic pressure on forest managers and landowners. The fifth key feature of NSMD governance is the existence of verification procedures designed to ensure that the regulated entity actually meets the stated standards. Verification is important because it provides the validation necessary for certification programs to achieve legitimacy, as certified products are then demanded and consumed along the market's supply chain.<sup>33</sup> This final feature distinguishes NSMD systems from many forms of corporate social responsibility initiatives that require limited or no outside monitoring.<sup>34</sup>

#### 4. The Emergence of Forest Certification in Finland

Any historical analysis of the emergence of forest certification in Finland must take into account the paradoxical influences of the 1992 Rio Earth Summit on the strategic choices of forest-focused transnational environmental groups and Finnish governmental agencies. Frustration with the inability of governments to

33. In the cases of the FSC and CSA, external auditing companies conduct a mandatory auditing process. The SFI originally developed looser verification procedures, but voluntary independent third party auditing is now the method of choice for most companies operating under the SFI. Similar verification procedures exist under other NSMD systems, such as the case of socially and environmentally responsible coffee production, where producers are audited to ensure they are following the program's rules and a label is given to firms that sell this certified coffee (Transfair USA 2000). Here, the desire to be seen as a good corporate citizen is linked to a market advantage—firms such as Starbucks and Peets can sell their coffee as socially responsible, allowing them to maintain or increase market access and perhaps to charge a price premium compared to other coffee retailers ("Starbucks, Tully's offer fair trade, organic coffee," *Seattle Post-Intelligence*, 15 August 2005).

34. Gunningham, Grabosky, and Sinclair 1998, chapter 4.

agree on a binding global forest convention led the former to focus on private authority and market-based mechanisms, such as forest certification, which *bypassed* what were asserted to be truculent state-centered processes. However, the Finnish government took very different lessons from Rio—strongly supporting the relatively modest post-Rio forest agenda, which encouraged domestic governments to develop their own comprehensive “National Forest Programs” and encouraged international deliberations to focus on defining, rather than implementing, sustainable forestry.<sup>35</sup>

The simultaneous development of these distinct strategies would eventually intersect and strongly shape the emergence of forest certification in the Finnish context. Initially the World Wide Fund for Nature (WWF) was the most active of international environmental groups, directing most of its satellite offices throughout the world to champion the FSC.<sup>36</sup> The UK office of WWF was prominent in this regard and had by 1994 obtained the commitment of various UK-based forest products retailers to purchase only “timber from sustainable forests.” These efforts ultimately paved the way for the creation of the UK 1995 group,<sup>37</sup> which would eventually join other initiatives to form the Global Forest and Trade Network (GFTN). Meanwhile, the Finnish government was proactive in championing *public* forest policy reforms that drew on, and were consistent with, the direction set at Rio. Led by its Ministry of Agriculture, the Finnish government was instrumental in the development of intergovernmental processes to address criteria and indicators for sustainable forest management—hosting the landmark 1993 Helsinki Ministerial Conference on Pan-European Criteria for Sustainable Forest Management. During the same period the Ministry of Agriculture announced widespread reforms to its domestic forest policies and legislation that, they asserted, would integrate the criteria and indicators formulated in Helsinki with national forest policy<sup>38</sup> and establish Finland as a leader in championing forest policy reforms.<sup>39</sup>

With the exception of Greenpeace Finland, Finnish environmental groups were initially encouraged by these governmental efforts, seeing great potential in shaping these public policy reforms rather than focusing primarily on forest certification. As a result, in 1994 when its Swedish and UK counterparts were working hard to develop FSC standards processes, the handful of officials in WWF Finland’s understaffed office were busily immersed in an array of domestic public policy initiatives, reasoning that working to achieve its goals of biodiversity and an increase of protected areas through national legislation would help complement, and shape, subsequent efforts on market-based certi-

35. Cashore and Howlett 2006; and Humphreys 2006.

36. Hansen 1999.

37. Hansen 1999.

38. Kneeshaw et al. 2000.

39. Personal interview, official, Ministry of Agriculture and Forestry, August 2003

fication standards.<sup>40</sup> Greenpeace, on the other hand, was skeptical that these governmental reforms would effectively address and protect forest biodiversity.<sup>41</sup> Instead, it pointed to increasing concern on the part of German consumers, and called on Finnish companies to promote “natural forest dynamics” so that they could supply the demand for ecologically sustainable products.<sup>42</sup>

Other transnational efforts reinforced Greenpeace’s strategic choices to leverage market pressure. In 1995, amidst considerable media coverage, WWF and its allies launched a successful effort to create “WWF Buyer’s Groups” across Europe (placing special attention on the UK and Germany), whose members formally committed to “FSC-only” procurement policies. Reflecting an implicit “good cop, bad cop” strategy, Greenpeace Finland and Friends of the Earth UK simultaneously intensified their direct-action campaigns for increased protection of Finnish old-growth forests, advising British customers not to source their products from northern areas of Finland,<sup>43</sup> and ultimately exposing the Finnish forest companies conducting operations in these areas.<sup>44</sup> Though they were focused primarily on old growth, rather than certification per se, these campaigns highlighted the ability of environmental groups to garner media attention and public scrutiny in the markets to which Scandinavian companies exported.

The initial response to these pressures by the Finnish forestry sector was similar to the initial response of its counterparts in British Columbia and the United States: it offered a code of conduct, known as PlusForest, to which its members committed to adhere through self-monitoring, and which was designed to help communicate the industry’s commitment to responsible forest management. Hoping that such efforts would be enough to meet international market demands, both the Finnish Forest Industry Association (FFIF) and Central Union of Agricultural Producers and Forest Owners (MTK) declined, at that time, invitations from the WWF Finland to move beyond codes of conduct to establish a Finnish FSC “working group.”<sup>45</sup>

However, as international market campaigns intensified and increasingly emphasized the need for “third party” auditing of forest management practices, FFIF and MTK came to the recognition that self-declaration strategies would not be enough.<sup>46</sup> By 1996, FFIF and the MTK began to consider seriously, albeit reluctantly, the need to respond to international market pressures by adding some

40. Personal interview, senior official, WWF Finland.

41. “Harcourt gaining allies in forestry fight: supporters satisfied B.C. trying to correct past practices,” *The Vancouver Sun*, 4 February 1994, A1.

42. Ibid.

43. Mäntyranta 2002; Canadian Press 2000; “Small scale logging begins in Clayoquot,” *Canadian Press*, 23 August 2000; and “Forests for life: Eco-label: The mark of good management,” *The Observer*, 29 September 1996, 96.

44. “Friends say hands off more old growth forests,” *Printing World*, 3 March 1997, 18.

45. Personal interviews, WWF Finland and former official, Greenpeace Finland.

46. Personal interviews, FFIF and the MTK.

form of forest certification to its existing support of post-Rio public policy reforms.<sup>47</sup>

This strategic change paved the way for certification to be addressed seriously by members of the Finnish forest policy community, albeit with very different ideas among domestic forest policy groups about what certification should accomplish. In order to explore what common ground might exist, representatives of MTK and the FFIF met with WWF Finland and the Finnish Association for Nature Conservation (FANC) throughout the spring and early summer of 1996 to discuss potential joint collaboration.<sup>48</sup> The disparate aims of the ENGOs and the forest companies and landowners in pursuing certification were evident from the beginning. Finland's environmental NGOs had become disappointed with the results of the new forest legislation, which they asserted to be less stringent than WWF Sweden's draft FSC standard.<sup>49</sup> Recognizing they were not going to get the degree of public policy reforms they had hoped for in 1994, WWF Finland joined with FANC in placing more of its effort on forest certification as a new, nonstate-based arena of authority in which to protect Finland's key biotopes and old growth forests.

However, unlike their 1995 efforts to form an FSC working group, WWF Finland officials strategized that a multi-stakeholder certification standards process that did not explicitly fall under the FSC framework might, paradoxically, have a better chance of ultimately achieving widespread support for the FSC. They reasoned that by not requiring that the stakeholders agree to develop standards for the FSC at the outset, they could emulate the success of FSC strategists in the UK—where government-sponsored standards-setting processes provided a “safe” environment in which all forest stakeholders participated, and whose ultimate standards were accepted as “equivalent” by the FSC.<sup>50</sup>

However, industry and forest owners had a different strategy in mind for participating in these talks. They continued to view certification as a means to satisfy customers and safeguard international market access. To these stakeholders, the new forest legislation already represented a big improvement in addressing biodiversity concerns. Thus, their goal was to create a certification standard that established the minimum requirements necessary to prove, and communicate to their customers, their existing commitment to sustainable forest management.<sup>51</sup> Moreover, Finland's landowners were reluctant to conform to a new forest management directive and remained skeptical of the FSC program. These very different conceptions and starting points were critical in understanding the story to follow and the lack of cross-sector support for certification standards.

47. Wright 1995. These efforts included, initially, a failed attempt to develop a “Nordic” certification system. See Cashore, Auld, and Newsom 2004, 201; and van Kooten et al. 1999, 173.

48. Personal interview and communications, forestry professor, University of Helsinki.

49. Personal interviews, WWF Finland and former official, Greenpeace Finland.

50. Timber Trades Journal 1997a and 1997b.

51. Mäntyranta 2002.

#### 4.1 Forest Certification Deliberations Begin

Initial discussions between MTK, FFIE, WWF Finland and FANC led to a written agreement signed in June 1996, which called for a national, multi-stakeholder working group to draft a Finnish standard compatible with “international requirements.” Just what these requirements were was left open to interpretation. WWF Finland and FANC believed this wording included the FSC, while MTK and FFIF reference points were on the systems-based and more flexible approaches of ISO 14000 and the European Eco-Management and Auditing System (EMAS).<sup>52</sup> Reflecting differences over just what “international requirements” meant, Greenpeace Finland stepped out of the standards-setting process during the first meeting in 1996, when its motion to define the working group clearly as an “FSC working group” was soundly defeated.<sup>53</sup> Forest companies (FFIF) and landowners (MTK) refused to support this motion because of their skepticism of the governance and economics surrounding the FSC program. MTK voiced non-industrial landowner concerns about forfeiting management control of their forests to FSC’s international council, explaining that for Finland’s family foresters the most appropriate response was a program designed in Finland for Finnish forests—an approach they believed would be acceptable to the Finnish forest industry’s European clients. Moreover, although other environmental members of the working group supported FSC, they responded to Greenpeace’s proposal with reluctance, concerned that defining the group in such a way would discourage FFIF and MTK from continuing discussions, prematurely thwarting their efforts to achieve, at the end of the day, an FSC-compatible standard.<sup>54</sup> Drawing on the success of their UK cousins, the two environmental-group initiators of the standards working group, WWF Finland and FANC, were particularly optimistic that the standards-setting process would ultimately develop a set of FSC-compatible standards. Indeed, WWF Finland interpreted their written agreement with FFIF and MTK as evidence that the forest owners and industry representatives were open to FSC compatibility. And backed up by “trust ties” that had developed between the WWF Forest Officer and landowner and industry representatives, WWF vigorously committed itself to the working group.<sup>55</sup>

With Greenpeace’s withdrawal, the working group comprised 29 stakeholders including four environmental organizations: WWF Finland, FANC, Birdlife Finland and the more radical Finnish Nature League (FNL). The values and opinions of Finland’s forest companies and private, non-industrial landowners were for the most part represented by MTK and FFIE, respectively. Following a year of negotiations, the standards working group completed a pro-

52. Personal interview, WWF Finland.

53. Personal interview, Finnish Nature League. Limited public support for Greenpeace Finland contributed to its close in 1997.

54. Personal interview, Finnish Nature League.

55. Personal interview, senior official, WWF Finland.

posed standard (known as “the Proposal”) on April 16, 1997. Most members of the standards working group, including the four initiators, reached a consensus on approximately 40 criteria and a group certification scheme suitable for Finland’s regional, small landowner-based forestry.<sup>56</sup> The only member of the working group not to sign the document was the FNL, which, following Greenpeace’s argument a year earlier, reasoned that the proposed standard was not stringent enough to conform to FSC requirements.<sup>57</sup> Despite the opposition of Greenpeace and FNL, WWF Finland, FANC and Birdlife Finland signed the draft standard and accepted the criteria. Still a strong advocate of FSC, WWF Finland reasoned that significant progress had been made and that the existing compromise was reasonable. It specifically endorsed the proposed standard with the expectation that the working group would formulate measurable indicators for each criterion and subsequently create a more stringent draft standard.<sup>58</sup>

Following WWF Finland’s and FANC’s endorsement of the draft standard in April 1997, Greenpeace Finland and The Finnish Nature League condemned the agreement, arguing that it failed to address old-growth forest protection and key biotopes—the very issues they felt that Finland’s forest legislation had also neglected.<sup>59</sup> Greenpeace specifically criticized the group certification model created by the standards working group, asserting that the program would not require the support of all landowners. Greenpeace asserted that “In the proposed model all forest owners of a particular forest district would be certified if only 2/3 of the forest owners in the district vote for it. . . .”<sup>60</sup>

Less than a week after the proposed standard’s completion, and following what some say was the release of a poor English translation, widespread disapproval was voiced by an array of leading transnational environmental groups and their domestic allies across Europe.<sup>61</sup> In total, twenty-eight environmental organizations signed an official declaration rejecting the proposal, claiming that it did not meet FSC standards.<sup>62</sup> Importantly, WWF UK and WWF International both signed the declaration, revealing discomfort with the approach of their Finnish office. This international criticism did nothing to convince the Finnish working group to alter its proposed standard to conform to FSC principles and criteria—but it had a profound impact on the strategic choices of WWF Finland and FANC. Feeling increasingly isolated, WWF Finland abandoned its efforts to

56. Mäntyranta 2002; and personal communications, Juslin.

57. Finnish Nature League 1998; and Personal interview, forest ecologist, former official with Finnish Nature League and consultant to Finnish Association of Nature Conservation.

58. Personal interview, senior officials, WWF Finland and Finnish Forest Industries Federation.

59. According to an official with Greenpeace and FANC, Finland’s ENGO community was outnumbered and overpowered in any certification discussion: “We (environmental interests) always lost everything” (personal interview).

60. Personal interviews; and Ikonen 1997.

61. Personal interviews; and Mäntyranta 2002. The translation of the working group standards omitted the introductory notes and portions referring to government legislation and old-growth issues.

62. Mäntyranta 2002; and personal interview, senior official, WWF Finland.



continue shaping the working group process toward FSC compatibility and withdrew from the working group, followed soon thereafter by FANC.

With no environmental NGOs remaining on the inside to champion the goal of moving the standards toward FSC endorsement, the working group was able to move more quickly in developing a “made in Finland” solution.<sup>63</sup> From July 1997 to December 1998, the working group, led by MTK and FFIF officials, finalized standards requirements and auditing procedures. Much of the focus was on how to design and implement “group certification,” which, given Finland’s 440,000 forest holdings, all stakeholders agreed was critical. While the FSC and its Finnish environmental supporters took the position that individual forest owners must personally commit to taking part in any “group certification” approach, the Finnish standard took a different route in which a decision to support the scheme would be made by their Forest Management Association (FMA). Forest owner members would then receive letters explaining how they would be included in the scheme, unless they expressly declined. These protocols were strongly criticized by environmental groups as an inadequate measure of support and one that would lead forest owners who never received or read such letters to be operating under the certification system without ever knowing.<sup>64</sup> The working group justified this approach on the grounds that it would lower costs for landowners and maintain their “property rights.”<sup>65</sup>

A private Finnish forestry consulting company, Indufor, was then retained to test the criteria developed by the standards working group.<sup>66</sup> The pilot project covered three of Finland’s forest regions and involved extensive data collection, auditing, and analysis of cost implications.<sup>67</sup> The results of these audits were revealed in a number of public seminars, which included the attendance of one of the earliest FSC supporters, British do-it-yourself (DIY) retailer, B&Q.<sup>68</sup> Reflecting the Finnish forest sector’s desire to create a certification standard that communicated the acceptability and appropriateness of Finnish forestry, Indufor’s project concluded that existing forest management practices in the three regions did indeed meet almost all of the requirements set forth in the proposed standard. Indufor also found that a group certification system would result in “significantly lower” costs than a large-scale certification of individual forest holdings.<sup>69</sup>

As FFIF and MTK were developing these pilot projects and seminars to

63. Lines of communication were still kept open between MTK and WWF Finland, with MTK agreeing to keep WWF informed of its certification development process. (Personal interview, Finnish Forest Association, Helsinki). See also, Mäntyranta 2002.

64. Personal communication, senior official, BirdLife Finland, June 2005.

65. Personal interview, senior official, WWF Finland; and senior official, Metsäliitto Cooperative.

66. Personal communication, Heikki Juslin; and personal interviews, senior official Indufor.

67. Finnish Forest Certification Council 1999.

68. Mäntyranta 2002.

69. Hansen 1999. The FFIF has indicated that the flow of information, guidelines for working procedures, and monitoring were three areas that required improvements (personal interviews; and Marttila 1998).



promote its “made in Finland” forest certification solution, market demands for FSC wood were intensifying. In one case in September 1997 publishers from the Netherlands, declaring concern for Finland’s old-growth forests, appealed to the Finnish forestry sector to start working towards FSC certification.<sup>70</sup> Yet instead of conforming to such pressure, as had their counterparts in Sweden and British Columbia, Finnish forest officials, financed by the Finnish Forest Foundation, undertook a series of proactive meetings, from the end of 1997 to June 1998, with export companies and their customers in Germany, the Netherlands, the UK, and France to explain and justify their “made in Finland” certification solution. Meanwhile, the FSC international office approved the Swedish FSC standard, to which all of Sweden’s industry had committed to comply, and market pressures from Finland’s German, UK, and Dutch customers for FSC wood continued.<sup>71</sup> Indeed, published statements from B&Q during this time emphasized the growing impatience of Finland’s British customers and their need for FSC-certified lumber.<sup>72</sup>

This pressure served to reinforce rather than alter the Finnish industry’s forest certification initiative; they redoubled their efforts to finalize the working group’s draft standard. From March to November 1998, the standards working group further developed and refined the proposed standard, now titled the Finnish Forest Certification Scheme (FFCS), and finalized auditing procedures and chain-of-custody (wood tracking) guidelines.<sup>73</sup> In March of 1999, the Finnish Forest Certification Council (FFCC) was established as the FFCS’s governing body, charged with its implementation and revision processes.<sup>74</sup>

Meanwhile, Finnish ENGOs, now strongly unified in their opposition to the FFCS approach, had announced in June of 1998 the formation of an official Finnish FSC working group. Finland’s entire ENGO community attended the first meeting.<sup>75</sup> Predictably, forest industries and landowners refused an invitation to participate.<sup>76</sup> Instead, MTK and FFIF immediately sought to fend off assertions that the FSC was the only credible international program, by helping to develop and joining the PEFC certification umbrella scheme. Whereas other FSC competitors continued to adapt to international pressure to be recognized as credible by purchasers of their products further down the supply chain, the FFCS remained steadfast that its original approach was most appropriate.<sup>77</sup> Startlingly, its decision to maintain its “made in Finland” approach began to pay

70. Mäntyranta 2002, 99.

71. Mäntyranta 2002, 99.

72. Timber Trades Journal 1998; and Tickell and Thompson 1998.

73. Personal communication, Juslin.

74. European Forest Institute 1999. The FFCS became a registered association in February 2000.

75. Mäntyranta 2002.

76. Personal interview, forest ecologist, former official with Finnish Nature League and consultant to Finnish Association of Nature Conservation.

77. The FFCS does undergo revisions and conformity assessments consistent with its approach to sustainable forest management. Following a 2002/2003 review, changes were made with respect to chain of custody and auditing procedures (Finnish Forest Certification Council 2004).

off. Retailer B&Q, one of the earliest and arguably biggest retail supporter of the FSC, modified its “FSC preferred” procurement policy in July of 1999 to include the FFCS, and highlighted the unique role of Finland by specifically stating that no other PEFC system would qualify.<sup>78</sup>

MTK and FFIF seized on this recognition. By the end of 2000, following the controversial group certification approach, 95 percent (21.9 million hectares) of Finland’s commercial forests were deemed certified.<sup>79</sup> Unlike the cases reviewed by CAN, where efforts by the supporters of FSC and FSC competitor programs to achieve support in the marketplace led to varying degrees of convergence among these systems, the FFCS and FSC supporters now steadfastly developed programs that diverged considerably.

Reflecting this increasing polarization, Finnish ENGOs redoubled their efforts to promote the FSC approach as the only viable option for forest certification in Finland, asserting that the Finnish public policy reforms had failed to implement international responsibilities<sup>80</sup> and that FSC-style certification was now the best route to improving forest management in Finland.<sup>81</sup> Working hard to play “catch up” to the FFCS, FSC supporters completed a draft of FSC Finnish standards, which they sent to FSC International for endorsement in February 2002.<sup>82</sup>

However, these efforts to increase support for the FSC failed to reverse or “stem the flow” of decisions by key purchasers of Finnish wood to include the Finnish system alongside their FSC procurement policies, with Swedish retailer Ikea following B&Q in adding FFCS wood to its otherwise pro-FSC purchasing policy.<sup>83</sup> Finnish NGOs have strongly criticized these supply chain decisions, continuing to assert that the FSC is the only viable option.<sup>84</sup> However, MTK and FFIF have quickly disputed these claims,<sup>85</sup> resulting in considerable confusion for customers of Finnish forest products about their choices in procuring certified wood.

The ultimate consequences of these domestic developments on the international demand for FSC-certified wood resulted in an outcome distinct from any of the cases in CAN. With Finnish forest owners failing to “buckle” under pressure to become FSC-certified, it was the retailers and purchasers of Finnish forest products who found themselves adapting and modifying their initial support of FSC-only products. But how could this have happened? We now turn to

78. Mäntyranta 2002. Senior leaders of MTK, the Joensuu Research Center of the Finnish Forest Research Institute, and Finnish Forest Certification Council all indicated that it was their own efforts as promoters of the FFCS that explains how they achieved an exemption to these “FSC-only” procurement policies, rather than their membership in the PEFC (personal interviews).

79. Finland, Ministry of Agriculture and Forestry 2003.

80. Charman 2003.

81. Tickell and Thompson 1998.

82. Personal interview, senior official, WWF Finland.

83. Mäntyranta 2002.

84. Conservation, Finnish Nature League, and Greenpeace 2004.

85. “Finnish Forest Certification Council’s (FFCC) comments on “Certifying Extinction,” *Pressi.com*. Available at [www.lexisnexis.com](http://www.lexisnexis.com), accessed 24 January 2005.

**Table 4.**

Factors facilitating FSC converting efforts, by hypothesis and case\*

Case	<i>Place in the Global Economy</i>	<i>Structure of the Domestic Forest Sector</i>			<i>History of Forestry on Public Policy Agenda</i>	
	H1 or H2	H3	H4	H5	H6	H7
BC	✓	✓	✓	✓	✓	✓
Sweden	✓	½	✗	✗	✓	½
UK	✓	✗	½**	✗	✓	✗
Germany	✓	✗	✗	✗	✗	✗
US	✗	½	✗	✗	✗	✗

Notes: H1: high dependence on foreign markets for exports; H2: high dependence on imports; H3: concentration of forest industry; H4: low level of non-industrial forest fragmentation; H5: fragmented forestry associations; H6: long history of unresolved forestry conflict; H7: industry shares access with non-business interests.

\* The factor's effects described by each hypothesis do not have equal weight as we elaborate and explain in our case studies.

\*\* H4 Non-industrial forestland in the UK is distinguished from concentrated government ownerships and fragmented private forest owners.

Source: Cashore, Auld, and Newsom 2004.

the explanatory analysis offered by CAN to assess whether their argument is consistent with the Finnish case.

## 5. Reviewing the Cashore, Auld, and Newsom Explanatory Framework

### 5.1 Converting and Conforming

CAN developed their framework both deductively and inductively through their initial work on European and North American case studies (Table 4). In doing so, they focused especially on forest certification as a highly dynamic process in which active "legitimacy achievement" efforts by environmental groups to alter initial anti-FSC evaluations of forest owners<sup>86</sup> were facilitated and/or debilitated by enduring features common to each country's forest sector.

Beginning with a classification system that drew heavily from Suchman,<sup>87</sup> CAN found that certification programs and their supporters attempt initially to influence outside audiences by "converting" forest owners to support their system. When converting fails to generate support, strategies then turn to second-

86. Cashore, Auld, and Newsom's notions of support draw on "pragmatic," "moral" and cognitive legitimacy distinctions developed by Suchman 1995. Our paper emphasizes efforts to gain "pragmatic" support, since it was this category that informed the bulk of their attention.

87. Suchman 1995.

best “conforming” efforts in which the certification program changes its rules and procedures to address forest owner concerns, in hope of increasing support. Their explanatory framework reviews a range of factors that facilitate FSC supporters’ “converting” efforts (explaining that when these factors do not exist, FSC supporters must conform or else fail to gain widespread interest from forest owners).

CAN argue that three structural features—place in the global economy, structure of the forest sector, and the history of forestry on the public policy agenda—work to facilitate or debilitate efforts to have forest companies and non-industrial forest owners support the FSC. They argue that these factors help us understand why the FSC has gained pragmatic support from forest companies and forest landowners in some countries and regions, but little or no pragmatic support from forest companies and landowners in others.

Drawing on a broad set of theoretical literature from political science, sociology, policy studies, and economics, supported by extensive inductive research, CAN identified the following hypotheses as explaining whether conditions favor agent-based efforts to promote the FSC.

### *5.2 Hypotheses: Place in the Global Economy*

**Hypothesis 1:** Forest companies and non-industrial forest owners in a country/region that sells a high proportion of its forest products to foreign markets are more likely to be convinced to support the FSC than those who sell primarily in a domestic-centered market.

**Hypothesis 2:** Forest companies and non-industrial forest owners selling wood to a domestic market in a country/region that imports a large proportion of the forest products it consumes are more likely to be convinced to support the FSC than those in a country/region that imports a small proportion of the forest products it consumes.

These hypotheses concern efforts by environmental NGOs to influence domestic forest sectors through international market campaigns. The perspective of the environmental NGOs, supported by existing research,<sup>88</sup> is that it is often easier to wage internationally focused boycott campaigns in consumer countries than in producer countries.<sup>89</sup> Part of the reason for this, argue CAN, is that while FSC certification bypasses governmental decision-making processes, it is still open to domestic criticism that it represents ruling from “outside” the political system, since it is international in scope and originates outside any one country’s domestic processes. Hence, manufactures and retailers demanding that their own domestic forest sector adhere to the FSC open themselves to charges that they are challenging “national sovereignty”—an entrenched norm that only citizens

88. Keck and Sikkink 1998.

89. Barker and Soyez 1994; and Bernstein and Cashore 2000.

of a national state have the right to influence and shape its domestic policy. However, manufacturers and retailers that place FSC requirements on forest products imports (i.e., firms *outside* of their own country) avoid this dilemma.

Hypothesis 2 identifies those cases where international market boycotts are also important for countries that import significant quantities of forest products. Importing large amounts of forest products can influence the susceptibility of forest companies and landowners to FSC converting strategies in two distinct ways. First, forest companies and producers in a region that imports a large proportion of its forest products will be especially susceptible to competition from FSC-certified producers outside their borders if their own domestic market is demanding FSC-certified products. Fear of losing market share to foreign imports makes these domestic producers more susceptible to FSC converting strategies. Second, forest companies and landowners in such a region will be more susceptible to moral suasion to practice the same sustainability requirements that their foreign producers must meet. Otherwise they risk facing accusations of promoting a double standard.

### 5.2.1 Assessing Hypotheses 1 and 2 against the Finnish Case

Finland is highly dependent on exports, which are, according to one senior Finnish forestry official, "Finland's lifeline."<sup>90</sup> Figures 1 and 2 reveal the strong dependence of the Finnish forest sector on export markets, especially with respect to sawnwood and paper. On average, over 80 percent of Finland's forestry products are exported.<sup>91</sup> The forest sector accounts for roughly one-quarter of the country's total exports, selling over €10 billion worth of goods in 2002. Finland's printing paper accounts for over 40 percent of the export value of all forest industry products, with paperboard and sawn goods each account for over 10 percent of total exports.<sup>92</sup>

The most important market for the Finnish forest industry lie within the European Union (EU). In 2003, exports to EU members accounted for 66 percent of the forest sector's total exports, with Germany and the United Kingdom comprising its number one and two markets within this region.<sup>93</sup>

Overall, Finland's forest industry consumes approximately 73 million cubic meters of raw material each year, the vast majority of which is harvested domestically. Sixty percent of raw wood materials originate from Finland's private forests, and just over 10 percent come from company and state forests.<sup>94</sup> As of 2002, one-fifth of timber used by the industry was imported; almost all of these imports came from Russian and Baltic countries.<sup>95</sup>

90. Personal interview, Esa Härmälä, President MTK and former official Metsäliitto Cooperative.

91. Grey 1988; and Mikkelä, Sampo, and Kaipainen 2001.

92. Finnish Forest Industries Federation 2003.

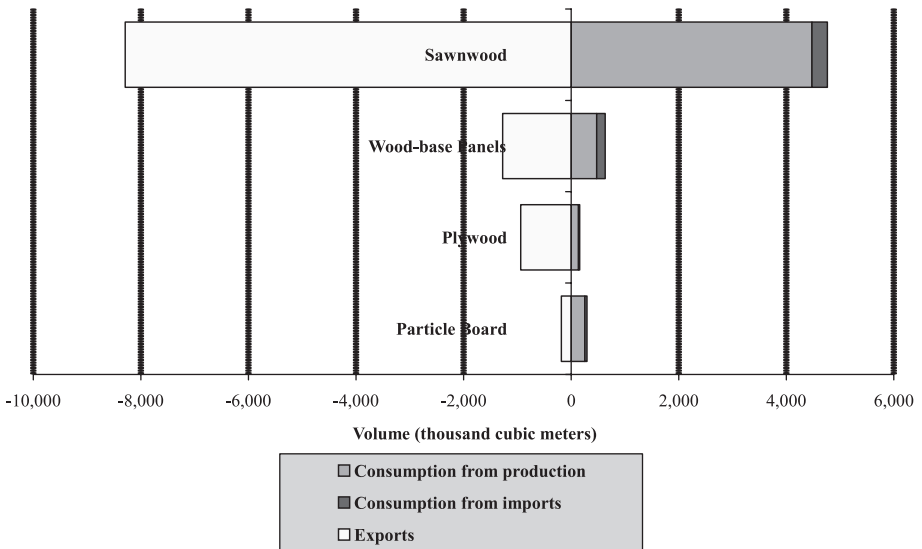
93. Ibid.

94. Ibid.

95. Ibid.

**Figure 1.**

Volume of Finnish Apparent Consumption (Production plus Imports less Exports) for Various Wood Products in 1999 (thousand cubic meters).



Source: FAOSTAT 2006b.

### 5.2.2 Discussion

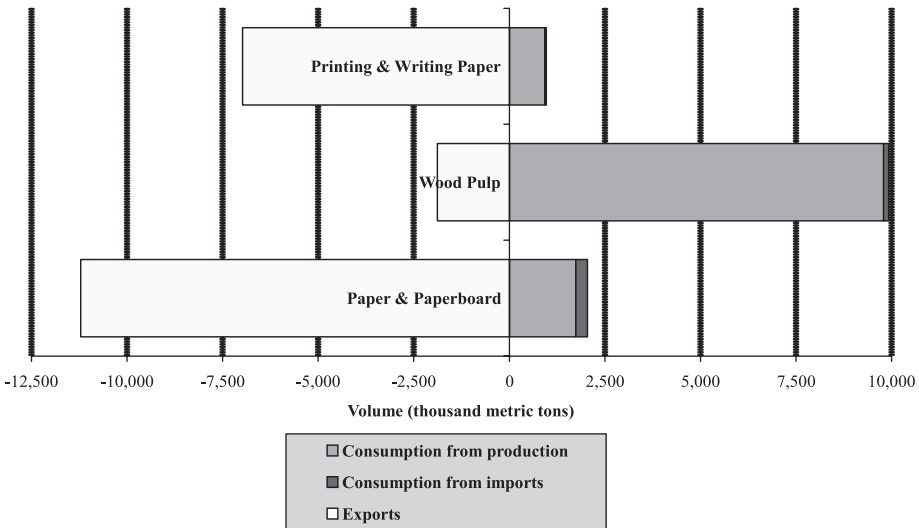
According to CAN's "place in global economy" hypothesis, the Finnish forest sector should have been highly susceptible to environmental groups' attempts to "convert" the Finnish forest sector towards supporting the FSC. As in British Columbia and Sweden, the Finnish forest sector had been under sustained scrutiny from transnational environmental groups, which first focused on specific problems such as biodiversity protection and ancient forests<sup>96</sup> and subsequently included in their demands that forest firms support the FSC.

These latter efforts included a two-pronged strategy designed to convince European purchasers of Scandinavian forest products to demand FSC certified products. First, a broad effort was initiated under the auspices of the Global Forest and Trade Network (GFTN), which would house within one organization those firms wishing to purchase certified forest products. Second, individual firms in the UK and Germany, which were important for either symbolic and/or material reasons, were pressured by transnational environmental groups to is-

96. Brown 1997; Greenpeace 1995a; Greenpeace 1995b; Greenpeace 1995c; Greenpeace 1995d; Wright 1995; and "Business and the environment: ancient forests under threat—hundreds of plants and animals are at risk," *Financial Times*, 6 December 1995, 6. Available at <http://www.lexis-nexis.com>, accessed 5 June 2006.

**Figure 2.**

Volume of Finnish Apparent Consumption (Production plus Imports minus Exports) for Various Paper Products in 1999 (thousand metric tons)



Source: FAOSTAT 2006a.

sue public statements in support of the FSC.<sup>97</sup> (In effect, this strategy offered companies who chose the FSC a potential “shield” from boycott campaigns). Following these firm-level targeting efforts, the UK DIY retailer B&Q, the British Broadcasting Corporation’s magazine division, the large German publisher Axel Springer Verlag<sup>98</sup> and mail-order company Otto Versand all issued public statements in strong support of the FSC,<sup>99</sup> even carefully considering “FSC-only” procurement policies.<sup>100</sup> In addition to these UK and German sources, the Swedish-based retailer IKEA became an increasingly important player in fostering and promoting sustainable forestry<sup>101</sup> and certification in Scandinavia and globally, going so far as to join and actively participate in the FSC.

These general pressures on Scandinavian producers were buttressed by a specific focus on Finland. A network of transnational environmental groups led by Friends of the Earth was successful in convincing Axel Springer and Otto Versand to communicate directly to Finnish forest industries and landowners

97. EarthVision 1999.

98. Knight 1996; and “Friends say hands off more old growth forests,” *Printing World*, 3 March 1997, 18.

99. Mäntyranta 2002; and Tickell and Thompson 1998.

100. Hollström 2001; Kämä et al. 2000; and Valtanen 1999.

101. EarthVision 1999.



their preference for the FSC certification system. B&Q, one of the most vocal and proactive players in the lumber retailing sector, expressed its strong discontent with the Finnish forest sector choice not to pursue the FSC. B&Q's vice-president of the environment strongly asserted that "If they had a single good reason for their attitude I might sympathize. But all their arguments are based on deliberate misunderstandings. If (FSC) certification is good enough for Sweden, it's good enough for Finland."<sup>102</sup>

Yet the very same type of economic pressures that strongly influenced Swedish companies to pursue the FSC did not have the same effect in Finland. We now turn to other parts of CAN's theory to see if they might account for this Finnish response, before offering additional hypotheses that promise a more robust theory of NSMD governance.

### *5.3 Hypotheses: Structure of Domestic Forest Sector*

**Hypothesis 3:** Large and concentrated industrial forest companies are more likely to be convinced to support the FSC than relatively small and less concentrated industrial forest companies.

**Hypothesis 4:** Unfragmented non-industrial forest ownerships are more likely to be convinced to support the FSC than fragmented non-industrial forest ownerships.

**Hypothesis 5:** Forest companies and non-industrial forest owners in a country/region with diffuse or non-existent associational systems are more likely to be convinced to support the FSC than those in a country/region with relatively well-coordinated, unified associational systems.

CAN's rationale for these hypotheses is as follows. First, concentrated companies—those with extensive forestland holdings and operations at all points of the supply chain, from the stump to the retail shelf—are more susceptible to the conversion strategies of FSC supporters. Being easily identifiable, they are more easily targeted by environmental campaigns than smaller, less recognizable companies.<sup>103</sup> In addition, their size makes it easier to adopt FSC-style certification owing to reduced transaction costs—both in terms of ease of accessing certified fiber supply and ease of tracking certified products along the market's supply chain. Second, fragmented land ownership creates obstacles for FSC-style certification. Many small, non-industrial, private landholders face diseconomies of scale in implementing certification and, perhaps more importantly, tend to be philosophically opposed to rule-creating programs initiated and led by environmental groups.<sup>104</sup> All these factors mean that the more a re-

102. Tickell and Thompson 1998.

103. Sasser 2002.

104. Newsom et al. 2002.

gion is characterized by fragmented, small, non-industrial private forest ownerships, the less susceptible its forest sector will be to FSC converting strategies.

Third, the existence of a well-developed associational structure is influential because, as existing literature has found, it has a strong effect on the ability of business to influence policy-making processes.<sup>105</sup> Hence, in forest certification, CAN assert that we would expect that the more integrated an associational system, the better able it is to fend off pressures from the FSC by undertaking well-coordinated and strategic responses.<sup>106</sup> Further, such an association is better poised to limit the ability of individual members to defect or break ranks, such as in the case of a company or landowner who wishes to take advantage of relatively high demand for FSC-certified products. Well-represented and unified industries appear not only to be less fertile ground for FSC market campaigns but also able to create a cultural environment in which forest companies are not receptive to certification market pressures.

### 5.3.1 Assessing Hypotheses 3 and 4 against the Finnish Case

Hypotheses 3 and 4 identify factors so intertwined that we review them together. With regard to these hypotheses, three factors construct a unique paradigm within Finland's forest sector: (1) the dominance of small-scale family forestry, comprised of hundreds of thousands of private landowners that have a longstanding contractual relationship with industrial companies; (2) the presence of a handful of large industrial forest companies—leading global players in the forest products market—that rely on small landowners for the majority of their raw materials; and (3) the longstanding cohesion among private landowners—the result of a three-tiered associational structure that also had effects on national forest policy making.

Finland's forest companies are indeed globally influential, the largest being Stora-Enso, UPM-Kymmene, and Ahlstrom. In 2002, these companies were among the 10 leading forest industries in Europe and in the world (Figure 3). However, their operations in Finland do not follow the same level of vertical or horizontal integration found in British Columbia or Sweden. While they are horizontally integrated at the level of product manufacturing, they own only nine percent of Finnish forests and are highly dependent on private non-industrial landowners for their raw material.<sup>107</sup> As a result, some officials assert that "large-scale industrial forestry doesn't exist in Finland."<sup>108</sup>

105. Schmitter and Streeck 1981; and Coleman 1988.

106. Laurila and Lilja 2002.

107. Of the three forest companies reviewed, Stora Enso owned 600,000 ha of forestlands until it sold these to Tornator in 2002 (See <http://www.tornator.fi/Item?uid=585873>). UPM-Kymmene owns approximately 920,000 hectares ([http://w3.upm-kymmene.com/upm/internet/cms/upmcms.nsf/\\$all/6dedaf8d5b502158c225712a0044b30c?OpenDocument&qm=menu,1,4,1&smtitle=Publications](http://w3.upm-kymmene.com/upm/internet/cms/upmcms.nsf/$all/6dedaf8d5b502158c225712a0044b30c?OpenDocument&qm=menu,1,4,1&smtitle=Publications)) and Ahlstrom owns none. The remaining 300,000-plus hectares of the 1.8 million ha controlled by industrial companies are controlled privately by the Metsäliitto Group (<http://www.finnforest.com/reports2004/default.asp?path=1003;1040;1331;1348>).

108. Personal interview, senior official, MTK.

**Figure 3**

Leading Forest Industries in Europe and Worldwide, 2002 (by total turnover in million US\$)

Europe		World	
<b>1. Stora Enso</b>	<b>13405</b>	1. International Paper	25000
<b>2. UPM-Kymmene</b>	<b>10985</b>	2. Georgia-Pacific	23271
<b>3. Metsäliitto</b>	<b>9299</b>	3. Weyerhaeuser	18500
4. SCA	9070	4. Kimberly-Clark	13566
5. Jefferson Smurfit Group	4939	<b>5. Stora Enso</b>	<b>13405</b>
6. Arjo Wiggins	4093	<b>6. UPM-Kymmene</b>	<b>10985</b>
7. Norske Skog	2943	7. Nippon Unipac	10012
8. Kappa Packaging	2178	8. Oji Paper	9949
9. David S. Smith	2075	<b>9. Metsäliitto</b>	<b>9299</b>
<b>10. Ahlstrom</b>	<b>1865</b>	10. SCA	9070
Finnish industries are highlighted.			

Source: Finnish Forest Industries Federation 2004.

Instead, ownership of non-industrial forest lands (referred to as “family forests”) is the dominant mode, with the percentage of individuals within the broader population who own forest land higher than any of the cases that CAN reviewed. Of Finland’s 20 million hectares of forestland, 62 percent are owned by an estimated 900,000 individuals, with 440,000 owning at least one hectare.<sup>109</sup> Thus, as Mikkilä et al.<sup>110</sup> point out, “one out of every five Finns is a forest owner” (Figure 4). Due to the dominance of “family forestry” and woodlots as small as one hectare,<sup>111</sup> wood procurement for one sale may involve thousands of small landowners (see Table 5).

However, countervailing what would be fragmented and difficult-to-coordinate forest owners are the existence of “joint ownership” institutions that establish consistent coordination and supply of small forest ownerships (averaging 26 hectares in size) to industrial sources. Indeed, these partnerships supply domestic industrial companies with over 80 percent of their total raw material. Each year, between 100,000 and 150,000 individual wood contracts are made between private forest owners and industrial companies.<sup>112</sup> In addition, 131,000 individual Finnish forest landowners own the Metsäliitto Cooperative, which collectively controls 48 percent of Finnish forestlands. Metsäliitto also owns op-

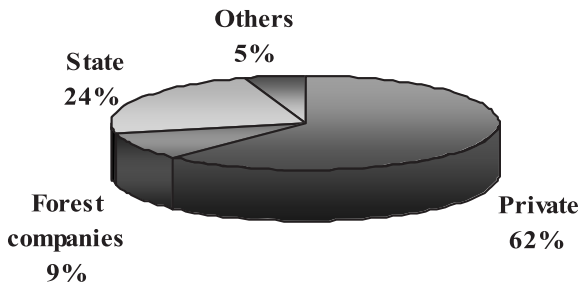
109. Mikkilä, Sampo, and Kaipainen 2001; and Finland, Ministry of Agriculture and Forestry 2003.

110. Mikkilä et al. 2001.

111. Personal interview, senior official, Metsäliitto Group.

112. Finland, Ministry of Agriculture and Forestry 2003.

**Figure 4**  
Finnish Forest Land Ownership (percentage of 20 million hectares of forestland).



Source: Finnish Forest Industries Federation 2004

**Table 5.**  
Applying CAN Theory to Finland: Assessing the Hypotheses

<i>Factor</i>	<i>Exists?</i>	<i>Effects on FSC efforts to gain support</i>	<i>Finnish case consistent with hypotheses?</i>
<b>Place in Global Economy</b>			
Dependence on foreign export markets	Yes	Facilitates	No
Dependence on foreign imports	No	—	—
<b>Structure of Forest Sector</b>			
Large, concentrated industrial forest companies	Yes	Facilitates	No
Unfragmented non-industrial forest land ownership	No	Debilitates	Yes
Diffuse or non-existent associational systems	No	Debilitates	Yes
<b>History of Forestry on Public Policy Agenda</b>			
Sustained and extensive public dissatisfaction with forestry practices	Limited	Debilitates	Yes (Overall)
Forest companies and non-industrial forest land owners share access to state forestry agencies with other societal interests	No	Debilitates	Yes

erations in 30 countries and owns Real, Metsa-Botnia, and Metsa Tissue. Its total worldwide sales rank it tenth in the world for forest products firms.<sup>113</sup>

As a result, Finland is unique in that its coordination of small forest owners through industrial agreements (MTK acts as the political representative and Metsäliitto as a commercial organization) means that it is similar to other “large, concentrated forest companies” in that they are vulnerable to targeting in the international market place. However, that Finland has so many forest owners, means industrial processing relies on a highly diffuse land ownership base. For these reasons we place Finland as meeting CAN’s definition of the existence of “large, concentrated forest companies” while not meeting the existence of an “unfragmented land base” (see Table 5).<sup>114</sup>

### 5.3.2 Discussion

That Finland’s large forest companies were targeted by environmental groups to support the FSC<sup>115</sup> would lead CAN’s third hypothesis to predict that FSC and its supporters could undertake successful converting efforts. Indeed, combined with Hypothesis 1 (place in the global economy), we would expect FSC strategists to be facilitated in their converting efforts to convince companies to support the FSC. However, their Hypothesis 4 would lead us to the opposite conclusion, since Finland is dominated by small non-industrial forest ownerships. The evidence here is that the existence of thousands of small forest owners had more explanatory power in shaping the emergence of forest certification in Finland than did Finland’s exposure to international markets.

Part of the explanation for this outcome is that when Finland’s forest companies were targeted, they needed to balance international pressures for an FSC system with what they reasoned were potentially bigger domestic “backlash” effects that would have hurt them more economically. That is, many Finnish forest industry official feared that supporting the FSC would lead forest owners to boycott them, including canceling their license agreements.<sup>116</sup>

Likewise, the existence of hundreds of thousands of forest owners made the FSC’s approach more challenging to implement. Given that the FSC required that each of the 440,000 owners agree to abide by FSC certification (either as part of group certification or another mechanism), its tracking of certified timber or “chain of custody” approach created additional hurdles that FFCS did not pose. In particular, the FSC required, at the time, that wood harvested from certified forests be separated from non-certified wood and traced accordingly throughout the milling and manufacturing processes.<sup>117</sup> Indeed, ac-

113. See “Metsäliitto Reports 2005,” available at <http://www.metsaliitto.com/reports2005/>.

114. Cashore, Auld, and Newsom 2004.

115. Brown 1997.

116. During initial discussions over forest certification choices, Finnish forest company Enso would not commit to an FSC scheme for fear that it would be subject to MTK boycotts which, when conducted for other reasons in the 1980s, were effective in raising timber prices (personal interviews).

117. The FSC has since relaxed its chain-of-custody procedures in two ways. First, mirroring PEFC procedures, it now permits a “percentage in, percentage out” labeling system in which firms

According to a survey of Finnish private landowners in 1997, forest owners and industry had “very serious reservations” regarding the costs, governance, and implementation of forest certification when it was first introduced as a policy initiative.<sup>118</sup> For these reasons leading Finnish forest sector officials have asserted that the FSC was designed for large-scale ownerships and ill-prepared for the challenges associated with small landowners. What is clear is that unlike other forest sectors in Europe and North America, it is not industrial forest companies but non-industrial forest owners, through their associations, who dominate policy-making ideas and processes.

### 5.3.3 Assessing Hypothesis 5 against the Finnish case

Almost all private landowners with holdings greater than five hectares are members of one of over 200 local Forest Management Associations.<sup>119</sup> Created almost a century ago, these associations are financed completely by forest owners, who pay an obligatory fee depending on the size of the holding and current stumpage prices. The associations are democratic in that all members have equal rights to participate in elections overseen by the board.<sup>120</sup> Regional Unions of Forest Management Associations guide and develop the activities of the FMAs and are financed by membership fees paid by the local FMAs. The activities of the regional unions are, in turn, guided by the national Forestry Council of MTK, which is instrumental in influencing national forest policy legislation.<sup>121</sup>

The long-standing democratic structure is well trusted by the Finnish landowners and by Finland’s industries. It guarantees timber sales, independence and cost effectiveness in the management of smallholdings, education and training, and small landowner representation (via their union MTK) in national decision-making. Legislation governing FMAs states that “FMAs offer training and guidance and provide professional assistance in forestry issues, thus protecting forest owners’ interests and helping to achieve the set objectives.”<sup>122</sup>

### 5.3.4 Discussion

The existence of a highly integrated associational structure fits the fifth CAN hypothesis, which predicts that such a situation should debilitate FSC supporters’

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are permitted to apply the FSC label to a percentage of its products equal to the percent of FSC wood entering its production process. This relieves firms from the burden of tracking every piece of FSC wood through their production process. Second, firms that use an array of products and sources, such as furniture and paper producers, can now apply a label that indicates the percentage of FSC wood used in the production process.

118. Juslin and Lindstrom 1997.

119. European Forest Institute 1999; and MTK 2001.

120. Finland. Ministry of Agriculture and Forestry 2003; and MTK 2001.

121. MTK 2001.

122. *Ibid.* About 80 to 90 percent of activities relating to timber production in private forests are carried out by FMAs, as well as 70 percent of the preliminary planning of timber sales. Forest owners are able to grant FMAs the right to act on their behalf to conduct wood sales and deliveries.

efforts to pursue converting strategies, as forest owners will be able to organize and respond effectively and efficiently to the FSC by creating their own alternative. This is precisely what the well-developed associational structure permitted forest owners to do in Finland. The longstanding cohesive associational system clearly facilitated Finland's forest owners' efforts to craft a strong, "made in Finland" solution for staving off the pressures for FSC-style certification, reviewed above. The association had immediate access to scientific information, communications budgets, and policy experts with which to develop their own strategic responses and convey them quickly and efficiently to the international market place. A second complementary explanation that CAN failed to identify explicitly is that the existence of such a well-developed and "democratic" internal system would have made the FSC even more of a threat—as private internal matters were already addressed historically through existing associations. Hence, the FSC could have threatened these historically important ways in which forest owners communicated and made their own nongovernmental forest management choices.

#### *5.4 Hypotheses: History of Forestry on the Public Policy Agenda*

**Hypothesis 6:** Forest companies and non-industrial forest owners in a country/region with sustained and extensive environmental groups and public dissatisfaction with forestry practices are more likely to be convinced to support the FSC than those in a country/region with less dissatisfaction.

**Hypothesis 7:** Forest companies and non-industrial forest owners in a country/region where access to state forestry agencies is shared with non-business interests are more likely to be convinced to support the FSC than those in a country/region where forest companies and non-industrial forest owners enjoy relatively close relations with state forestry agencies vis-à-vis non-business interests.

The final set of factors that were hypothesized to mediate FSC efforts have to do with governmental or public policy efforts. CAN hypothesized that the level of societal criticism of existing public policy approaches, and their openness to new actors, impacted forest owner evaluations of the FSC. The rationale for their Hypothesis 6 is that forest owners operating in regions where longstanding criticisms remain are more likely to support the FSC as a "shield" against present or future targeting, since the FSC offers a set of standards endorsed by both domestic and international environmental NGOs.

The rationale for their Hypothesis 7 is that when business interests enjoy close relations with governmental agencies (i.e. the subsystem is categorized as "clientelist" or "agency captured"), they are less likely to support FSC-style certification because it represents a fundamentally different approach in which business cannot dominate forest policy development. On the other hand, if the policy subsystem had already opened up to include an array of interests groups in which business is one interest among many, then, everything else being



equal, business is more likely to support FSC-style certification since it does not represent a change in the status quo (See Table 5).

#### 5.4.1 Assessing Hypothesis 6 against the Finnish Case

During the 1990s Finnish forest policy came under increasing scrutiny from environmental groups who were dissatisfied with state and private forestry practices. Drawing on new scientific information that modern forestry practices were endangering forested landscapes and forest species, WWF Finland initiated a national campaign for increased forest preservation and joined with other ENGOs to criticize industry and the state for clearcutting in ecologically valuable areas. As a result, forestry conflicts or “forestry wars” intensified in the early 1990s with campaigning, frequent on-site protests, and physical attempts by ENGO supporters to stop logging activities. Police officials were often involved, resulting in significant media coverage.<sup>123</sup> While protests and campaigns initially focused on state lands, by 1994 they had moved to include private forests, including Kuusamo Forest Common, a forest area owned jointly by a large proportion of the local population.<sup>124</sup>

There is no question that these efforts drew much public concern among Finns about domestic forest practices. However, the Finnish governmental forest policy reforms detailed above served to significantly address and minimize widespread criticisms. This is in part owing to the Finnish government’s leadership role in the Helsinki Process, and its June 1993 signing of the Helsinki resolutions, which called for ecologically sustainable development and biological diversity as essential elements of forest management.<sup>125</sup> Following its national forest policy reforms, which concluded in 1997, the Finnish government responded to societal scrutiny by asserting that all Finnish forest legislation was completely reformed with a new focus of promoting economically, socially, and ecologically sustainable forest management.<sup>126</sup>

With these proactive efforts to change and develop Finnish forest policy, public dissatisfaction with forestry practices in Finland never reached the level found in British Columbia, the United States, or even Sweden. In fact, some analysts assert that environmental group campaigns over old-growth forests and protected areas actually represented a conflict between environmental interests and the general public, many of whom either directly or indirectly (through a member of their family) owned forestland. Governmental efforts to reform forest policy—precipitated by “changes in the international and societal environment of forestry, pressures for reducing the costs of forestry operations, and the

123. Hellström 2001.

124. *Ibid.*

125. Personal interview, senior official, United Nations Forum on Forests.

126. Mikkilä, Sampo, and Kaipainen 2001. The revised Forest Act and the new Act on the Financing of Sustainable Forestry provided a compensation incentive whereby small private landowners would be subsidized for safeguarding biodiversity and setting aside protective areas or special habitats.

active public debate on the sustainability of forestry"<sup>127</sup>—appear to have satisfied the general public in ways that did not occur in other cases reviewed by CAN (See Table 5).

#### 5.4.2 Discussion

The relative satisfaction with governmental forest policy reforms, which were initiated before forest certification emerged in Finland, is consistent with CAN's Hypothesis 6. While there was public concern and environmental NGO dissatisfaction with Finland's forest practices, the Finnish government's new legislation, which raised standards for forest industry and landowners, appears to have minimized public dissatisfaction. As a result, the forest industry and landowners were able to point to public policy reforms in rejecting efforts by FSC-style certification to institute yet higher standards for biodiversity protection. With the public generally supportive of governmental reforms, the FSC support domestically appears to have been significantly less than it would have been in the absence of governmental forest policy reforms. As one senior official from the Finnish Forest Industries Federation explained, "the government has far better tools to promote good forest management."<sup>128</sup>

#### 5.4.3 Assessing Hypothesis 7 against the Finnish Case

The forest sector and governmental agencies have arguably the closest relationship of any of the other cases reviewed in CAN. The Ministry of Agriculture and Forestry has responsibility and authority to develop most of Finland's forest policies, and is responsible for preparing legislation and overseeing forest planning and supervision.<sup>129</sup> However, all forest policies and legislation are developed and implemented with close input from forest owners, who themselves exert concerted and collective influence through their FMAs, Regional Unions of Forest Management Associations, and national Forestry Council of the MTK.<sup>130</sup> The national council has a large participatory role in national policy processes, directly interacting with the Forestry Department at the Ministry of Agriculture and Forestry.<sup>131</sup>

Forest planning exercises decentralize authority to thirteen regional forestry centers, which are state-subsidized and under the direction of the Ministry. The forestry centers are charged with preparing, implementing, monitoring, and revising forestry programs within their region, and maintaining regional environmental data and records. The centers also advise and train private landowners, forest workers, and forestry entrepreneurs (See Table 5).<sup>132</sup>

127. Mikkilä, Sampo, and Kaipainen 2001.

128. Personal interview, senior official, Finnish Forest Industries Federation.

129. Grey 1988.

130. MTK 2001.

131. A state-funded institution, the Forestry Development Centre Tapio, was also created to communicate directly with forest owners and provide them with consulting, development, information, publication, and training services, in addition to securing their seed supply.

132. Finnish Forest Certification Council 1999; and Hytönen 2002.

#### 5.4.4 Discussion

The historically close relationship between governmental agencies and forest owners strongly supports CAN's Hypothesis 7. With such close access to policy-making, and with environmental groups largely excluded from or at the margins of these policy subsystems, the multi-stakeholder format of the FSC would pose a significant change to the existing role of forest owners in the policy-making process. Such a threat clearly influenced forest owners' choices over the emergence of forest certification. Although certainly open to including environmental groups, forest industry and private non-industrial landowners refused to support a certification program that dramatically altered well-established public policy processes for including forest owners. Indeed, there is evidence that the FSC's tripartite governance caused forest owners to mistrust the FSC from the beginning, as it would have placed non-industrial private landowners in the same economic chamber as industrial interests.<sup>133</sup> Hence, when negotiation over draft standards broke down, it was private forest owners, through their forest association, who promoted a version of certification that maintained their key role in forest policy deliberations,<sup>134</sup> with environmental groups eventually operating at the margins of the policy process.

## 6. Towards a More Robust Theory of NSMD Governance

The preceding review illustrates the explanatory power of the CAN framework for understanding domestic-level certification choices. Table 5 reveals that most of the factors they emphasized did indeed correlate with a climate relatively inhospitable to FSC conversion strategies. Moreover, their hypotheses permitted us to assess when and why which factors seem to "trump" the others (such as domestic structural factors trumping international pressure).

However, our application of their historical narrative approach, which they justify as encouraging an assessment of whether other explanatory factors exist outside the original model,<sup>135</sup> leads us to identify two additional hypotheses that, we argue, create a more robust theory of NSMD governance. The first is easily incorporated into their model; the second requires a more profound re-orientation (Table 6).

### 6.1 Specifying Market Pressure: Dependence on Foreign Markets

While transnational market pressure has been a critical influence on a particular country's forest certification choices, the Finnish case also reveals that the eco-

133. Personal interview Finnish Forest Industries Federation. In defense of landowners, the Vice President of Finnish Forest Industries Federation stated that "The FSC . . . is not in keeping with what should traditionally be a democratic system . . ." (personal interviews). See also Marttila 2004; and Valtanen 1997.

134. Timber Trades Journal 1997c.

135. Cashore, Auld, and Newsom 2004, chapter 2.

**Table 6.**

Factors facilitating FSC converting efforts, by hypothesis and case

Case	<i>Place in the Global Economy</i>	<i>Structure of the Domestic Forest Sector</i>			<i>History of Forestry on Public Policy Agenda</i>	
	H1 or H2	H3	H4	H5	H6	H7
<i>Finland</i>	✓	✓	✗	✗	✗	✗

Notes: H1: high dependence on foreign markets for exports; H2: high dependence on imports; H3: concentration of forest industry; H4: low level of non-industrial forest fragmentation; H5: fragmented forestry associations; H6: long history of unresolved forestry conflict; H7: industry shares access with non-business interests.

conomic dependence can work both ways. While CAN did address this “two way street” in their conclusion, they focused much of their analysis on this issue to feelings of “independence,” which they asserted to be much more common in private forest owners than with industrial forest companies.<sup>136</sup> However, the Finnish case suggests that further attention should be given to the degree to which customers in foreign markets are themselves dependent on the products they are asking to be certified. This is particularly important, it seems, when a country’s forest products are not easily purchased elsewhere and/or are not substitutable.

In Finland’s case, it appears that its production of high-quality printing paper, not easily available elsewhere, may have given the forest sector greater room to maneuver in responding to demands for FSC certification.<sup>137</sup> Key officials in the sector and their customers in export markets were keenly aware of the unique nature of Finnish products<sup>138</sup> Finland’s niche market in high-quality printing paper, buttressed by its widespread reputation as a first-class producer of sawn timber products, led them to assess with some skepticism threats that they might lose market share if they did not succumb to demands to produce FSC-certified wood. They reasoned that customers making these demands could not easily substitute their products with those of other producers.<sup>139</sup>

136. Cashore, Auld, and Newsom 2004, chapter 8.

137. Personal interview, senior official, MTK.

138. Personal interviews, key members of the Finnish forest sector including senior officials from Metsäliitto and the FFCC. See also Mäntyranta 2002. The important role of Finnish paper is generally well understood within Finland and internationally in the forest sector and the transnational environmental group community. The European Forest Institute notes, for example, that “Finland is an important producer of paper and paperboard products, ranking sixth in the world” and that Finland “. . . has been concentrating more and more on high-quality printing and writing papers. The EFI, citing Michie (2000) and others, noted that Finland’s 25 percent share of world exports of fine quality papers is largely because producers elsewhere “serve their domestic markets” ([http://www.efi.fi/fine/Finland/forest\\_industry.html](http://www.efi.fi/fine/Finland/forest_industry.html)).

139. Personal interviews, especially Metsäliitto.

This feature was clearly important when the Finnish forest sector communicated with European purchasers such as Tetra Pak, who were fully aware of their dependence on Finnish materials for the production of their own products. Recognition of these dynamics also helps put in perspective B&Q's July 1999 decision to modify its strict FSC-only procurement policy to include the Finnish certification system, while expressly rejecting any other PEFC system. Though it will always be difficult to isolate the causal impacts of this particular feature, the Finnish case reveals the importance of enhancing CAN'S theory by including a hypothesis on the qualities of domestic forest products. When products are not substitutable, we hypothesize that there will be much greater discretion in how the domestic sector responds to international pressure.

**Hypothesis 8:** When the country being targeted exports a common and substitutable forest product, the domestic forest sector is more likely to be susceptible to the converting strategies of FSC supporters.

### 6.2 Specifying the Problem Definition: Converting and Conforming to Whom?

A more challenging critique that our review raises for CAN'S theory is our finding that the interaction among different regions/countries is critical for understanding how certification might emerge as a standard for nonstate global governance. That is, a second dynamic clearly emerges from the Finnish case: whether strategic choices by the FSC and its supporters are driven by a primary objective of achieving FSC certification in a target country in order to institutionalize support for certification generally, or to address enduring problems within the country itself. That is, it matters very much whether the FSC and its supporters will accept as appropriate (at least initially) practices that are at or close to the status quo, or will demand more fundamental reforms. The logic behind this argument is that profit-maximizing firms are more likely to support NSMD certification systems when they view adherence to the system as imposing limited costs. And whether costs of adherence to the FSC will be marginal, or paradigmatic, is, in part, conditional on whether strategists view the target country/region as more important for helping to institutionalize firm-level support globally, "ratcheting up" forestry practices *elsewhere*, and less important for addressing specific problems within the country.<sup>140</sup>

Our historical narrative on the Finnish case is consistent with this argument. When WWF-Finland initially pursued an approach that recognized existing public policy changes promoting consensus and marginal rather than paradigmatic adjustments to existing practices, it appeared that the certification dialogue was heading towards a standard that could ultimately be accepted by the FSC. However, once this strategy broke down following the critique from WWF International and other transnational FSC supporters, the road toward FSC certification in Finland was blocked.

140. For a full elaboration of this argument see Bernstein and Cashore 2006.

Moreover, the Finnish case reveals that actors can *change* their strategic assessment of the role of a particular country. One of the starkest illustrations of this strategic shift came from B&Q's Alan Knight, who moved from criticizing the Finnish forest sector for not supporting the FSC to criticizing environmental groups for not accepting Finnish forest practices: "We want the FSC to take a step back and ask why they are attacking Finland . . . We want them to remember why the big retailers are supporting the FSC which was not to tweak good forestry but to prevent slash-and-burn around the world."<sup>141</sup>

**Hypothesis 9:** The forest sector will be more likely to support the FSC when FSC strategists view the region as key for gaining support elsewhere, rather than for addressing pressing problems within the region.

While this hypothesis emerges from the Finnish case, it also appears to shed additional light on the original set of cases in CAN. For instance, while the Finnish industry viewed the FSC requirements as too onerous, the FSC standards in Sweden developed through consensus, with the Swedish industry ultimately accepting the standards as economically feasible. Hence, these strategic differences may help account for divergence between Finland and Sweden. Similarly, in both British Columbia<sup>142</sup> and the Canadian Maritimes,<sup>143</sup> initial interest and support for the FSC on the part of major industrial forest companies was removed following the development of standards, influenced by domestic-focused environmental groups, which represented significant increases from the status quo. Indeed, in the British Columbia case, CAN found that the forest sector was adamant in asserting that it was already operating under some of the highest standards in the world. In this case the sector viewed FSC certification as a way to recognize existing practices and to encourage their competitors to operate at a similar level.<sup>144</sup>

This hypothesis adds much more uncertainty to understanding whether and how the FSC might institutionalize, since it rests on somewhat unpredictable actors' strategic assessment of the broader political dynamics in which they are embedded. Recent evidence indicates that the FSC and its supporters are changing many of their strategic assessments about the role of forest certification in North America and Europe by relaxing FSC requirements, at least in part owing to their recognition of the important role that support for certification there might play in improving practices elsewhere. For instance, FSC officials

141. Timber and Wood Products 1998. Certainly this strategic choice was conditioned by existing structural features. Knight was clearly worried about making his commitments to purchase only FSC-certified forest products: "It is a situation that we want to avoid. It doesn't help the Finns, the FSC loses out and B&Q doesn't hit its targets," and focusing the problem outside of Finland would help B&Q's own strategic interests in selling certified forest products.

142. Cashore, Auld, and Newsom 2004, chapter 4.

143. Cashore and Lawson 2003.

144. The British Columbia forest sector went so far as to commission a study that concluded that the FSC standards in BC were so much higher than required of their competitors that adherence would put firms at a competitive disadvantage.

have initiated revisions to the BC and Maritimes standards in the hopes of gaining increased industrial support. They have also created a consensus process for the Canadian Boreal standards that appears similar to the Swedish approach and stands in contrast to the polarized and conflict-ridden climates of the initial BC and Maritimes processes.

Whether the strategic changes that B&Q undertook in Finland might take place within the FSC and their transnational supporters remains to be seen. We do know that by 2003 key Finnish forest companies, including Stora Enso<sup>145</sup> and UPM-Kymmene, were encouraging the development of a Finnish standard that both the FSC and PEFC systems could endorse, and have put some of their forest lands under dual FSC and PEFC certification audits.<sup>146</sup> Arguably in an effort to shape the outcome of these joint certifications, FANC and its allies continued to assail the PEFC for permitting environmental destruction.<sup>147</sup> Yet, by the spring of 2006 environmental groups and industry appeared to reinvigorate efforts to promote FSC within Finland, with 28 Finnish paper firms lauding, through the Global Forest and Trade Network, the “positive steps Finland has taken to promote FSC.”<sup>148</sup> Such efforts at potential reconciliation can be understood, at least in part, as a result of the increasing awareness of those involved in Finnish forestry debates about the sector’s link to less regulated forestry practices in Russia<sup>149</sup> and the tropics.<sup>150</sup>

## 7. Conclusion

Our application of CAN’s theory of NSMD governance to the case of Finland has revealed this framework’s utility in understanding the role of different domestic contexts in shaping initial support or opposition to nonstate global governance initiated by transnational environmental groups. At the same time, our historical analysis highlighted the need for important additions to their explanatory framework. The framework must better specify how the types of products a country produces, especially with respect to their uniqueness and/or substitutability, influence domestic political struggles over different certification systems. We also find that a more fundamental alteration of the existing model must be undertaken, to better incorporate how actors assess the strategic importance of particular domestic settings for the broader global governance project in which NSMD systems are embedded. The more FSC and its supporters come to view

145. “Stora backs dual certification plan,” *Print Week*, 13 November 2003, 17; and “Stora Enso to test FSC credit,” *Print Week*, 25 November 2004, 21.

146. “Green seal two for UPM wood,” *Print Week*, 27 October 2005, 1.

147. Finland Association for Nature Conservation (FANC), Finnish Nature League, and Greenpeace 2004.

148. “UK buyers keep green pressure on Finland,” *Print Week*, 6 October 2005.

149. Hunt 2003.

150. “Unholy alliance under fire in Finland,” *InterPress Service*, 16 May 1999 (newswire). Available at <http://forests.org/archive/europe/unholyal.htm>, accessed 16 May 2006.



the major global forestry problems as *outside* the country/region from which they are seeking support, the more likely the forest sector is to evaluate the FSC as an appropriate system of NSMD governance.

Such findings are consistent with Bernstein and Cashore's<sup>151</sup> effort to understand whether and how NSMD certification systems might institutionalize as a "politically legitimate" system of global governance. They argue that, by their very approach, efforts to transform global governance through the marketplace creates three distinct phases through which NSMD systems must pass: an "initiation" phase, in which those practicing at or close to the level required by the standards will be the first to join; a "widespread" support phase, in which certification efforts must necessarily be aimed at those firms and countries who have the greatest changes to undertake; and a third phase characterized by "full-fledged" support from actors along the value chain who, as part of a shared community of interests, "substitute the regime's decisions for their own evaluation of a situation."<sup>152</sup> The first phase is important for differentiating markets, but will have little discernible impact "on the ground." The second phase must necessarily be focused in gaining support from those firms that did not join in Phase I, which requires ensuring that the economic benefits of undertaking certification are higher than the costs of doing so. Such a second phase presents a conundrum for problem-focused environmental groups because, as Bernstein and Cashore theorize, it means focusing standards in a way that weeds out the worst performers rather than recognizing the best. In addition, there is a "chicken and egg" problem that challenges efforts to move to Phase II. This is because there will not be enough certified forest products in the marketplace to satisfy retailers who wish to sell, or who have committed to selling, 100 percent certified products. As a result, those retailers who cannot find enough supply will be forced to change initial commitments and/or adapt their demands, while producers being targeted to commit to the FSC will be hesitant to comply, owing to the limited certification market. Indeed, recognition of this conundrum may shed further light on B&Q's decision to support the Finnish standard as FSC "equivalent." It turns out that around the same time as B&Q was attempting to gain 100 percent FSC certification, its UK rival, Home Base, was well on the way to meeting its FSC commitments because of Home Base's heavy dependence on Swedish lumber imports. Without Finland as a source of certified products, B&Q would fall further behind its UK rival—which directly challenged B&Q strategy as a global leader in promoting forest certification.

While more research would have to be undertaken to assess further these competitive pressures during these early days, our analysis of Finland reinforces the need to identify the dynamic trajectory of support for NSMD governance, and the role that largely unchanging structural factors play in shaping, at differ-

151. Bernstein and Cashore 2006.

152. Bodansky 1999, 602.

ent junctures, actor-based strategic evaluations. Recognition of these phases, and the strategic assessment of a country's importance for institutionalizing global support or addressing local problems, also helps explain the range of efforts that have been undertaken since certification to "ratchet up" sustainable forestry in the tropics. For instance, furniture giant IKEA initiated a "stepwise" approach to forest procurement in which FSC is the final, rather than first, step in promoting responsible forestry. Similarly, a range of environmental groups have created incentives and alliances aimed at eradicating the market for illegal logging. The Tropical Forest Trust, an environmental nongovernmental organization, was established to give immediate market advantage to firms operating in Indonesia and Malaysia that committed to FSC in the future, and The Nature Conservancy and the World Wide Fund for Nature have established a tropical-forest centered alliance that is focused on illegal logging. Indeed, such an approach has created a strategic opportunity for firms in the North—for which illegal logging tends not to be a problem—and environmental groups focused on the tropics.<sup>153</sup> Focusing on eliminating the market for illegally logged forest products creates "win-win" interests in entrenching a global wood tracking system. While no one sees these efforts as, by themselves, adequate, they are now viewed as important first steps in moving the regions with the greatest challenges closer to existing practices elsewhere.

It is critical for scholars and practitioners to understand better whether and how strategic choices made by a range of stakeholders, clearly influenced and shaped by extant structural features, might intersect over time to put NSMD governance on a transformative path towards an enduring Phase III.<sup>154</sup> The Finnish case reveals that the more strategists see the FSC as kick-starting a process that recognizes relatively higher existing standards as initially appropriate, the more likely NSMD systems are to gain widespread support. Whether such support will entrench the status quo or lead to globally focused "ratcheting up" processes is arguably the most critically important question facing students of NSMD governance. Answering this question means moving beyond the domestically focused divergence puzzle from which CAN developed most of their explanatory analysis, and incorporating a more dynamic and complete theory of NSMD *global* governance. Such an effort could assist in moving away from highly charged arguments about the immediate impacts of competing certification programs, and toward research that explores the dynamic aspects of NSMD governance. Such research ought to be guided by two questions: whether and how NSMD governance might gain full-fledged institutionalization and, if so, the future impacts of this type of nonstate global governance in ameliorating deterioration of the world's forests.

153. See "Forest and Trade Asia," available at <http://www.forestandtradeasia.org/country/Indonesia/English/>.

154. Bernstein and Cashore 2006.

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